(c) and (d) RBI has reported that during 2000-2001, licences of 17 UCBs were cancelled/applications for licence were rejected. During 2001-2002, licences of 13 UCBs and 2 DCCBs were cancelled/applications for licence were rejected.

(e) As per the provisions of Section 5 (ccvi) of the Banking Regulation Act, 1949 (AACS), 'a primary credit society' means a cooperative society other than a primary agricultural credit society.

1. The primary object or principal business of which is the transaction of the banking business;

2. The paid up share capital and reserves of which are less than Rs. one lakh; and

3. The bye-laws of which do not permit admission of another cooperative society as a member.

When a primary credit society's owned funds attain the level of Rs. one lakh, it automatically gets the status of a primary cooperative bank. Thereafter it is required to apply for a licence to carry on banking business.

Under the provisions of sub-section 2 of Section 22 of the Banking Regulation Act,1949 (AACS) a primary credit society, which was carrying on banking business on 1st March, 1966 was required to apply to Reserve Bank of India for grant of licence to carry on banking business within three months. Further, even after 1966, as and when the owned funds of a primary credit society reaches Rs. one lakh, it has to necessarily apply to the RBI for a licence, and pending issue of licence it can carry on banking activity.

Supervisory Board for UCBs

644. SHRI RAMACHANDRA KHUNTIA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government propose to set up a separate supervisory board for Urban Cooperative Banks (UCBs) in banking sector;

(b) if so, details thereof; and

(c) the fresh steps taken/proposed to be taken by Government to check the increasing NPAs of UCBs and also to instill confidence in the Cooperative Banking Sector?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Reserve Bank of India (RBI) had submitted a proposal to Central Government for setting up an exclusive apex body for the supervision of urban cooperative Banks (UCBs) in view of duality of control, prevailing in cooperative banking sector. The proposal was examined and it was found that without legislative changes in the State Cooperative Societies Acts of various States to bring it in tune with the Model Cooperative Societies Act recommended by Ch. Brahm Perkash Committee, apex supervisory body as suggested would suffer from similar handicap that RBI suffers today. The efforts of the Central Government are, therefore, directed towards convincing State Governments to amend their State Cooperative Societies Act. With this background, Central Government has announced in the Union Budget to usher reform in cooperative banking sector and has made a provision of Rs. 100 crore to incentivise reforms and revitalize the cooperative banking sector.

(c) RBI reviews the system of regulation and supervision of UCBs and has taken a series of measures to correct the systematic deficiencies and to strengthen the system of regulation and supervision of UCBs. These measures *inter-alia* include putting ceiling on operations in call money market and bank finance against shares and debentures, increase in percentage of SLR investments in Government Securities, restrictions on interest rates on deposits offered by UCBs and investment of funds as deposit with other UCBs, etc.

Urban Cooperative Banks

645. SHRI RAJEEV SHUKLA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to refer to answer to Starred Question 78 given in the Rajya Sabha on 5th March, 2002 and state:

(a) the number of Urban Co-operative Banks which have been listed as weak by the RBI so far;

(b) in how many cases licences have been withdrawn by RBI; and